

RD AN No. 3636 (1942-A)  
April 18, 2001

TO: State Directors  
Rural Development

ATTN: Community Facilities Program Managers

FROM: James C. Alsop (Signed by James C. Alsop)  
Acting Administrator  
Rural Housing Service

SUBJECT: Business Incubators

**PURPOSE/INTENDED OUTCOME:**

This Administrative Notice (AN) is issued to provide clarification on the eligibility of business incubators for Community Facilities loan guarantees, direct loans, and grants.

**COMPARISON WITH PREVIOUS AN:**

This AN replaces RD AN No. 3540 which was issued on April 27, 2000, and expired on April 30, 2001.

**IMPLEMENTATION RESPONSIBILITIES:**

Community Facilities loan guarantees, direct loans, and grants have been used in the past to finance business incubator facilities. These facilities were primarily involved with the training and development of business entrepreneurs while providing adequate space on a temporary basis for the fledgling business entities.

We have reviewed this policy and come to the conclusion that business incubators are inherently a commercial enterprise and, therefore, ineligible for any further funding through any of the Community Facilities programs because they cannot be considered a public improvement requisite to the beneficial and orderly development of a community under section 1942.17(d)(1)(i)(B) of RD Instruction 1942-A. Any business incubator projects where the State Office has issued an AD-622 or letter indicating that a project is eligible **prior** to April 27, 2000, may proceed through the normal funding procedures.

EXPIRATION DATE:  
April 30, 2002

FILING INSTRUCTIONS:  
Preceding RD Instruction 1942-A